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Introduction

- Q: PLEASE STATE YOUR NAME, PARTY YOU REPRESENT AND BUSINESS ADDRESS FOR THE RECORD.**
- A: My name is Daniel E. Gimble. I am a Special Projects Manager for the Committee of Consumer Services (Committee). My business address is 160 E. 300 S., Heber Wells Building, Salt Lake City, Utah.
- Q: ON BEHALF OF THE COMMITTEE OF CONSUMER SERVICES (COMMITTEE OR CCS) HAVE YOU TESTIFIED BEFORE THE UTAH PUBLIC SERVICE COMMISSION (COMMISSION OR PSC) IN PRIOR ENERGY AND TELECOMMUNICATIONS CASES?**
- A: Yes. Since 1991, I have testified in numerous cases before the Commission.
- Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**
- A: My testimony provides the Committee’s overall recommendation regarding Rocky Mountain Power’s (Company or RMP) proposal to decrease its composite depreciation rate from 2.91 percent to 2.69 percent (decrease of 0.22 percent) based on depreciable plant balances as of December 31, 2006. I also provide the Committee’s perspective on various policy issues related to this depreciation case.
- Q: HAS THE COMMITTEE RETAINED AN EXPERT THAT ALSO PREPARED AND FILED TESTIMONY IN CONNECTION WITH THIS DEPRECIATION DOCKET?**
- A: Yes. The Committee retained Jacob Pous of Diversified Utility Consulting, Inc. to provide expert assistance in analyzing the reasonableness of both the Company’s new depreciation study and the depreciation rates proposed by the Company. My overall recommendation is supported by

Mr. Pous' specific recommendations in the production and mass property (transmission, distribution, general and mining plant) areas.

Summary of Committee Position

**Q: PLEASE PROVIDE THE COMMITTEE'S OVERALL RECOMMENDED CHANGE TO DEPRECIATION EXPENSE IN THIS CASE.**

**A:** CCS Exhibit 2.1, page 1 of 7, is a summary exhibit prepared by Mr. Pous showing the Committee's overall recommendation and the specific proposals by functional plant category. Applying the Committee's proposed depreciation rates to depreciable plant balances as of December 31, 2006 results in a recommended decrease to existing depreciation expense of approximately \$37 million on a Utah basis. Thus, the Committee recommends a decrease to depreciation expense that exceeds the Company's proposed decrease by about \$27.3 million on a Utah basis.

**Q: HOW DOES THIS COMPARE TO THE RESPECTIVE POSITIONS OF THE COMPANY AND THE COMMITTEE IN PAST DEPRECIATION CASES?**

**A:** The Company's initial filings were excessive relative to the Committee's recommendations in past cases, and for that matter, the two depreciation settlements approved by the Commission. In Docket No. 98-2035-03, the Company proposed to increase depreciation rates in Utah by about \$23.6 million. A settlement approved by the Commission resulted in an increase in depreciation rates of approximately \$3.1 million. However, due to previous amortization of plant at unapproved depreciation rates, the \$3.1 million was offset by a \$3.55 million time-limited "accounting adjustment," which resulted in a small net decrease of about \$0.45 million to depreciation expense for a period of two years. In Docket No. 02-035-12, the Company proposed to increase depreciation rates in Utah by about \$3.75 million. A settlement approved by the Commission resulted in a

decrease of approximately \$6 million to depreciation expense. While the Company requested depreciation rate increases in each of the last two depreciation cases, each settlement approved by the Commission resulted in an overall net decrease in depreciation expense. I have attached the Commission's Orders in these two dockets as CCS Exhibits 1.1 and 1.2.

**Q: PLEASE BRIEFLY SUMMARIZE THE COMMITTEE'S RECOMMENDATIONS ON THE MAJOR ISSUES ASSOCIATED WITH THIS CASE.**

**A:** The Committee's recommendations are as follows:

- (1) The Committee supports the Company's proposal to increase the life span of the majority of its coal units to an average of 64 years. Further, the Committee recommends the life spans for simple-cycle combustion turbine and combined-cycle combustion turbine gas plants be increased from 25 to 30 years and 35 to 40 years, respectively.
- (2) The Committee opposes the Company's proposal to double the negative net salvage value of steam production facilities from \$25/kW to \$50/kW. The Committee recommends leaving the negative net salvage value at the existing \$25/kW.
- (3) The Committee opposes the Company's proposal to recognize and include interim additions in its depreciation rates based on a five-year forecast.
- (4) The Committee supports the Company's proposal to establish a hydro plant decommissioning reserve as set forth in its testimony.
- (5) The Committee opposes the Company's proposals relating to 11 mass property accounts. Some of these proposals involve substantial increases to the negative net salvage values associated with certain mass property accounts.

Policy Issues

**Q: WHAT POLICY ISSUES DO YOU ADDRESS IN YOUR TESTIMONY?**

A: I address the Company's proposals to: increase the life span for the majority of its coal units to 64 years; include forecasted interim additions associated with production plant in depreciation rates; and establish a hydro plant decommissioning reserve. I also discuss when the depreciation rate changes ordered in this docket should become effective and when the Company should be required to file its next depreciation case.

*64-Year Life Span for Coal Units*

**Q: WHAT IS THE COMMITTEE'S POSITION ON THE COMPANY'S PROPOSAL TO INCREASE THE LIFE SPAN OF THE MAJORITY OF ITS COAL UNITS TO 64 YEARS?**

A: At the September 12, 2007 Committee meeting, the Committee was briefed on the salient issues attendant to this depreciation case, including the Company's 64-year life span proposal for coal units. At that meeting, the Committee voted 4-2 to support the 64-year life span proposal. The Committee determined that the "accounting lives" of coal units should more closely match the expected "engineering lives" so current ratepayers are not overcharged for the Company's coal plant investments. The Committee made this assessment based on information that the industry trend is to recognize longer life spans for coal units and that the Committee's depreciation expert has provided testimony recommending longer life spans for coal units in recent cases.

**Q: HAVE OTHER STATES RECENTLY APPROVED EXTENDING COAL UNIT LIFE SPANS?**

A: Yes. Commissions in Oklahoma and Colorado have recently approved extending life spans for coal units to approximately 60 years. Mr. Pous addresses these cases in his testimony.

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125 *Interim Additions*

126 Q: **BRIEFLY EXPLAIN THE COMPANY’S PROPOSAL REGARDING**  
127 **INTERIM ADDITIONS?**

128 A: For the first time the Company proposes to recognize and include nominal  
129 interim additions in its depreciation rates for steam and other production  
130 plant.<sup>1</sup> According to RMP, the recommended interim addition amount is  
131 based on a five-year forecast and is limited to existing equipment.

132

133 Q: **WHAT ARE THE COMMITTEE’S CONCERNS RELATING TO INTERIM**  
134 **ADDITIONS?**

135 A: The Committee has two primary concerns. First, it allows RMP to begin  
136 depreciating plant before it actually provides “used and useful” service to  
137 customers. This is contrary to a long history of sound regulatory principles  
138 followed by the Commission that in the rate effective period costs charged  
139 to customers should match the associated benefits received. Second, the  
140 costs are based on a five-year forecast, which means the costs are highly  
141 speculative and uncertain. The Committee’s expert, Mr. Pous, discusses  
142 these and other concerns in greater detail in his direct testimony.

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144 Q: **WHAT IS THE COMMITTEE’S POSITION ON THE COMPANY’S**  
145 **INTERIM ADDITION PROPOSAL?**

146 A: The Committee’s recommendation is that the Commission should reject  
147 the Company’s proposal.

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<sup>1</sup> On page 9 of his direct testimony, Mr. Lay notes that the Company has not adjusted its five-year forecast for inflation and that they are simply proposing a nominal level of interim additions.

153 *Hydro Plant Decommissioning Reserve*

154 Q: **BRIEFLY EXPLAIN THE COMPANY'S HYDRO PLANT**  
155 **DECOMMISSIONING RESERVE PROPOSAL.**

156 A: The Company proposes a policy change to recognize the increased  
157 probability that some of its smaller hydro plants will face future  
158 environmental challenges that will affect the future operations of those  
159 facilities. Specifically, the Company proposes to establish a hydro plant  
160 decommissioning reserve for facilities that have a specific  
161 decommissioning agreement and small hydro plants where the Company  
162 has estimated a probability of decommissioning occurring within the next  
163 ten years.

164

165 Q: **WHAT IS THE COMMITTEE'S POSITION ON RMP'S PROPOSAL TO**  
166 **CREATE A HYDRO DECOMMISSIONING RESERVE?**

167 A: The Committee supports the Company's proposal. It appears reasonable  
168 to set up a decommissioning reserve if there is an agreement to remove  
169 certain hydro facilities and to reflect the probability that other small hydro  
170 resources may be removed due to economic, environmental or political  
171 reasons.

172

173 Q: **DOES THE CREATION OF A HYDRO DECOMMISSIONING RESERVE**  
174 **OBLIGATE UTAH RATEPAYERS IN ANY WAY TO COVER COSTS**  
175 **RESULTING FROM HYDRO DECOMMISSIONING ACTIVITIES?**

176 A: No. A hydro reserve simply allows RMP to reflect expected  
177 decommissioning costs on its books. Whether any requested future cost  
178 recovery is afforded to the Company will chiefly be determined by the  
179 prevailing inter-jurisdictional cost allocation method as it relates to hydro  
180 facilities and the prudence of the costs incurred by the Company to  
181 remove facilities.

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184 *January 1, 2008 Implementation Date*

185 Q: **WHEN DOES THE COMPANY PROPOSE THAT THE NEW**  
186 **DEPRECIATION RATES BE IMPLEMENTED?**

187 A: RMP proposes that new depreciation rates be effective on January 1,  
188 2008.

189

190 Q: **WHAT IS THE COMMITTEE'S POSITION RELATING TO THE**  
191 **PROPOSED IMPLEMENTATION DATE?**

192 A: The Committee's position is that new depreciation rates approved by the  
193 Commission should be fully reflected in the test year used in RMP's next  
194 Utah rate case.

195

196 Q: **WHAT IS THE COMMITTEE'S POSITION REGARDING WHEN RMP**  
197 **SHOULD PREPARE AND FILE ITS NEXT DEPRECIATION CASE?**

198 A: The Committee believes that depreciation rates should be reviewed within  
199 a three-to-five year period. Given the frequency with which RMP has  
200 been filing general rate cases and the fact that depreciation is a major  
201 expense item, it may make sense for the Commission to file its next  
202 depreciation case sooner rather than later.

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204 Q: **DOES THIS CONCLUDE YOUR TESTIMONY?**

205 A: Yes.

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